DOCUMENT RESUME

ED 372 696 HE 027 581

AUTHOR Jefferson, Anne L.
TITLE The Price To Pay.
PUB DATE 94
NOTE 16p.; Faint print throughout.
PUB TYPE Viewpoints (Opinion/Position Papers, Essays, etc.) (120)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Educational Finance; *Financial Support; Foreign Countries; *Government Role; Government School Relationship; Higher Education; State Federal Aid; State Universities
IDENTIFIERS Canada; *Canadian Government; Ontario University System

ABSTRACT

This paper discusses the funding status of Canadian universities which are referred to as "creatures of the provinces" as their principal funding comes from the provincial governments. Their other main source of funds is tuition and academic fees which are themselves subject to government regulations. Together, 78 to 89 percent of university funds are controlled directly or indirectly by provincial governments. Thus they are expense driven institutions. Direct competition for funds with other public goals results in income uncertainty for universities as illustrated by the recent implementation of Ontario's "social contract" which targeted its universities for a $216 million cutback. When government responsibility to act in the public good conflicts with another public good, it courts economic and social damage. Given these problems, universities should start to exercise more of an entrepreneurial spirit to reshape their dependency on government funding. Universities must convince the private sector to become long-term financial contributors to the general operation of universities as a politically driven funding source can no longer serve as the primary source of university revenue. Successful tempering of the expense driven institution with these changes would create a more balanced support base. (Includes two tables on university revenues in 1992.) (JB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 372 696

The Price to Pay

by

Anne L. Jefferson, Ph.D.

Educational Studies
Faculty of Education
University of Ottawa
Ottawa K1N 6N5
Canada

1994

Ph: 613-564-7725 Fax: 613-564-9098
E-mail: aljeffer@acadvm1.uottawa.ca

HE 027 581

BEST COPY AVAILABLE

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Anne L. Jefferson

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

The Price to Pay

Universities in Canada are what Sheffield and associates (1982) refer to as "creatures of the provinces". This reference evolved out of the fact that Canadian universities are principally funded by the public purse. A decade later the scenario remains intact (see Table 1). Canadian universities have five distinct sources of funds: government grants, fees, investment income, sales and services, and gifts and donations. Government grants include grants for operating funds (monies used for day to day academic administration and maintenance of the university), capital funds (monies available for the acquisition of buildings, equipment, furniture, property, land, and library books), research and contracts. Revenue from government grants ranged from a low of 61.1% (NS) to a high of 76.0% (Nfld). The average revenue for all provinces was 67.1%. Fees

BEST COPY AVAILABLE

includes tuition and academic fees. Revenues from fees across the provinces ranged from a low of 9.9% (Que) to a high of 17.0% (NS). The average revenue from fees was 13.1%. Investment income includes income from interest, dividends, and realized gains and losses. Revenue from investment income across the provinces ranged from a low of 1.6% (PEI) to a high of 4.1% (BC). The average revenue from investment income was 3.0%. Sales and services, also referred to as ancillary enterprises, includes income from sales and services provided on a cost recovery basis. Income is generated from residences, bookstores, parking services, conferences and general rentals, food services, printing services, beverage, tenant rentals, vending services, telecommunications, computer store, graphic services, student health services, and child cares services. Revenue from sales and services across the provinces ranged from a low of 3.4% (Que) to a high of 11.4% (NS). The national average revenue was 8.0%. Gifts and donations, also referred to as trust and endowment funds, includes monies from donations, bequests, and benefactions. Revenue from gifts and donations across the provinces ranged from a low of 2.2% (PEI) to a high of 9.6% (Que). The average revenue from gifts and

donations was 7.2%.

Clearly Canadian universities continue to depend on the public tax dollar for their financial existence. Furthermore, their second most dependant source of funds, tuition and academic fees, is subject to government regulations. Together, 78% to 89% of the funds that universities receive are controlled, directly or indirectly, by the provincial governments. And as such, they are expense driven institutions.

This status assures Canadian universities an income base; however, the base is subject to change as societial, financial, and political variables dictate. In other words, universities' existence and continuation as viable institutions is dependent upon societal belief that no matter what the financial circumstances of the state higher levels of learning opportunities are essential for the continue growth of the state. This direct competition for funds with other public goals results in income uncertainty for universities.

The Province of Ontario recent implementation of its "social contract" illustrates the reality of the above. Under this contract universities were targeted for a $216 million cutback. Combined with other fiscal measures taken by the provincial government, universities were

facing cuts in the range of 10 per cent of their overall provincial funding. In addition, the provincial government attempted to recover $2 billion through public sector employees contracts (Pallascio, 1993). The aim of the contract was to provide financial relief to a cash-strapped government -- $10 billion in the red with no signs that the fiscal situation wouldn't redline even further.

The financial crisis of the provincial government became a financial crisis for universities. Universities were forced to share the pain.

The impact of this situation is more fully appreciated by examining Table 2. The reliance on government grants by Ontario universities is significant. McMaster University receives 57% of its revenue from government grants, the lowest percentage of all Ontario universities. This rating is offset by the relatively substantial percentage (19%) received in gifts and donations. The remaining universities depend on government grants ranging from 60% (Western) to 74% (Ottawa).

Sharing the pain meant that quality and accessibility of Ontario universities became and remains major concerns. Whether investment in universities is a

BEST COPY AVAILABLE

necessary investment to achieve a healthy economy is under seige. Actions of the provincial government would indicate that the linkage, at best, is a weak one.

At the same time, it must be recognized that "governments are trustees for the taxes paid by their electors" (Williams, 1992, p.71). It is thus the university's heavy dependence on public funding that is the real focus of concern.

Government exercise of this legal right potentially constrains the operation of universities. For instance, when governmental action taken in the name of the invested public trust is done without consideration of its effect on another public trust, universities, disaster is around the corner. Higher levels of learning are nurtured only when the responsible institutions, universities, are enabled to pursue their own intellectual growth and in so doing also encourage the analytic and critical development of the student. An appreciation of this situation is imperative. Unexpected resource constraints restricts the degree to which the above can occur. It is this constraint that must be guarded. Called for is the "recognition on the part of government that the continual attrition of university resources only weakens the ability [of the university] to

cope" (Sims, 1989, p.32). This point was further reinforced by Pritchard (1992) in commenting on higher education in the United Kingdom. In this context, Pritchard notes that moderate degree of stress facilitates performance but excessive stress merely dispirits.

The damage and potential damage that is being done to universities across Ontario exemplifies what happens when the preceding points are given little, if any, attention. What has happened in Ontario highlights the problems that are assumed by any institution that is answerable to a diversified audience but whose ability to respond is restricted by a single external agency. As noted by Williams (1992), "the ways in which [universities] receive their funds affect institutional incentives and hence influence their organizational behaviour and the composition of the academic services they provide" (p.88).

The position of expense driven institutions has been positive given that the right to funds is guaranteed. However, when this right does not also guarantee sufficient funds it is a right that results in costing the institutions greatly. Universities must therefore start to exercise more of an enterpreneurial spirit and

reshape their dependency on government funding. This view has been expressed by Porter (1991):

> As currently sturctured, government funding mechanisms for universities may not adequately underwrite the cost differentials that exist between science -- and technology-related courses and other fields of study. Governments should re-evaluate existing funding mechanisms and take steps to ensure that adequate resources are available for programs directly linked to competitiveness. Provincial governments should also re-examine the appropriate role of tuition in the overall university funding mix and the potential for school autonomy in setting tuition fees. The privatisation of some programs or even institutions should be seriously considered. (p.91)

The signs clearly indicate a need to reconceptualize the relationship between university and government and between university and the private sector. Universities must convince the private sector to become long-term financial contributors to the general operation of universities, not just for designated ad hoc research ventures. If quality and accessibility are to be retained within the university milieu and if the university is an essentail component for the continue growth of the state, then a politically driven funding source can no longer be the primary source of revenue of the university. The expense driven status of universities must be tempered with an income driven

status. In this way, "the university can behave market-like, because the possible injustice is corrected by the subsidy of the government" (Savenije, 1992, p.6). This balance is essential unless economic Darwinism is to rule. With this more balanced support base, the elasticity of the universities' ability to respond to societial needs and at the same time provide leadership returns to a healthy and productive state.

References

Canadian Association of University Business Officiers (CAUBO). (1993). Financial statistics of universities and colleges 1991-1992. Ottawa: author.

Frazer, M. (1991). Higher education accountability. Conference proceedings of the European Association for Institutional Research. Napier Polytechnic, Edinburgh, Scotland.

Pallascio, J. (1993, June). Provincial deficit reduction measures sink balanced budget. Gazette, p.11.

Porter, M.E. (1991). Canada at the crossroads: The reality of a new competitive environment. Ottawa: Business Council on National Issues; Supply and Services, Canada.

Pritchard, R.M.O. (1992). To compete or collaborate: The dilemma of British higher education institutions? Paper presented at the 14th Annual EAIR Forum, Brussels.

Savenije, B. (1992). The university as a divisionalized

structure: The role of the centre. Paper presented at the 14th Annual EAIR Forum, Brussels.

Sheffield, E. et al. (1988). Systems of higher education: Canada. New York: International Council for Educational Development.

Sims, G. (1989). The universities. In M.D. Stephens (Ed), Universities, education and the national economy (pp. 26-40). London: Routledge.

Williams, G. (1992). Finance and the organisational behaviour of higher education institutions. In E. Frackmann and P. Maassen (Eds.), Towards excellence in European higher education in the 90's (pp.69-95). The Netherlands: University of Twente.

TABLE 1: REVENUE FOR ALL CANADIAN UNIVERSITIES BY PROVINCE
APRIL 30, 1992
(In 000'sof dollars and percentage)

	NFDLD	PEI	NS	NB	QUE	ONT	MAN	SASK	ALTA	BC	TOTAL
Govt Grants											
Fed	19400 9.6%	1823 4.0%	57029 12.5%	16222 6.3%	256027 9.6%	309569 7.6%	34543 8.5%	33322 9.4%	76958 8.5%	121868 11.5%	926559 8.9%
Prov/ Mun/ Others	133967 66.4%	31781 70.4%	222812 48.6%	143497 56.0%	1677938 63.3%	2264333 55.4%	239510 58.7%	208897 59.0%	564114 62.0%	587770 55.7%	6074619 58.2%
TOTAL	**153367 76.0%**	**33604 74.4%**	**279841 61.1%**	**159719 62.3%**	**1933965 72.9%**	**2573902 63.0%**	**274053 67.2%**	**242219 68.4%**	**641070 70.5%**	**709638 67.2%**	**7001178 67.1%**
Fees	23991 11.9%	6504 14.4%	77938 17.0%	43409 16.9%	262879 9.9%	604748 14.8%	58273 14.3%	49708 14.0%	101489 11.2%	134230 12.7%	1363169 13.1%
Invest ment Income	4074 2.0%	703 1.6%	15533 3.4%	9049 3.5%	50274 1.9%	133787 3.3%	13938 3.4%	13272 3.7%	26553 2.9%	42872 4.1%	310055 3.0%
Sales & Service	8019 4.0%	3143 7.0%	52298 11.4%	25373 9.9%	90154 3.4%	414035 10.1%	31393 7.7%	25139 7.1%	79843 8.8%	100659 9.5%	830056 8.0%
Gifts, & Dona tions	8664 4.3%	1013 2.2%	12517 2.7%	10674 4.2%	255275 9.6%	301788 7.4%	28588 7.0%	18116 5.1%	54988 6.1%	60393 5.7%	752016 7.2%
Misc. Income	3652 1.8%	217 .5%	19878 4.3%	7976 3.1%	61627 2.3%	57959 1.4%	1602 .4%	5858 1.7%	4890 .5%	7874 .7%	171533 1.6%
TOTAL	**201767 100%**	**45184 100%**	**458005 100%**	**256200 100%**	**2654174 100%**	**4086219 100%**	**407847 100%**	**354312 100%**	**908833 100%**	**1055466 100%**	**10429007 100%**

(Source CAUBO [1993] Financial Statistics of Universities and Colleges 1991-1992)

BEST COPY AVAILABLE

TABLE 2: REVENUE FOR ONTARIO UNIVERSITIES
APRIL 30, 1992
(In 000's of dollars and percentage)

1992	Brock	Carleton	Guelph	Laurentian	McMaster	Ottawa	Toronto	Waterloo	Western	Windsor	York
Govt Grants											
Fed.	1737 2.2%	14146 7.4%	23175 8.5%	2067 2.8%	30727 9.4%	26762 8.7%	83794 10.2%	27645 9.6%	27929 7.4%	5766 4.0%	14939 4.0%
Prov/ Mun/ Other	50088 62.8%	106085 55.2%	156994 57.5%	50135 67.9%	156806 47.8%	200582 65.3%	448663 54.6%	152228 52.9%	198520 52.8%	86689 60.1%	214874 57.4%
TOTAL	**51825** **64.9%**	**120231** **62.5%**	**180169** **66.0%**	**52202** **70.8%**	**187533** 57.2	**227344** **74.0%**	**532457** **64.7%**	**179873** **62.5%**	**226449** **60.2%**	**92855** **64.1%**	**229813** **61.4%**
Fees	16241 20.3%	38329 19.9%	31596 11.6%	10638 14.4%	31567 9.6%	38732 12.6%	113229 13.8%	41743 14.5%	53972 14.3%	28169 19.5%	81344 21.7%
Investment Income	979 1.2%	3273 1.7%	6016 2.2%	1611 2.2%	16570 5.1%	5790 1.9%	51105 6.2%	4985 1.7%	7425 2.0%	2341 1.6%	6299 1.7%
Sales & Service	8422 10.6%	23334 12.1%	37008 13.6%	5700 7.7%	21032 6.4%	8611 2.8%	64700 7.9%	40959 14.2%	51554 13.7%	15888 11.0%	39660 10.6%
Gifts & Donations	1852 2.3%	6010 3.1%	13996 5.1%	3259 4.4%	62562 19.1%	21940 7.1%	58369 7.1%	16382 5.7%	27493 7.3%	5381 3.7%	9889 2.6%
Other Income	500 6%	1080 6%	4280 1.6%	358 5%	8527 2.6%	4909 1.6%	2702 .3%	3873 1.3%	9442 2.5%	134 .1%	7096 1.9%
TOTAL	**79819** **100%**	**192257** **100%**	**273065** **100%**	**73768** **100%**	**327791** **100%**	**307326** **100%**	**822562** **100%**	**287815** **100%**	**378335** **100%**	**144568** **100%**	**374301** **100%**

(Source CAUBO [1993] Financial Statistics of Universities and Colleges 1991 1992)

BEST COPY AVAILABLE